

In Troubled Poland, Expatriates Discover Capitalism Pays Off

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**Americans and Others Set Up
Businesses and Prosper;
But Some Reds See Heresy**

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WARSAW—George Jarmoc left Poland 20 years ago to search for the American dream in Kenosha, Wis.

His English wasn't good enough, however, for him to work at his profession of mechanical engineering, so he dabbled in real estate for a while and then opened a small import-export company. But his entrepreneurial ambitions were far grander.

So the Warsaw-born engineer turned to his homeland. Mr. Jarmoc bought a mushroom-growing house near Warsaw, converted it into a furniture factory and then expanded that into a diversified company called Arnepol, which is nearly tripling sales and profits each year.

"If you would offer me a million dollars right now, I wouldn't sell my company," he bubbles while leafing through books showing more orders than he can fill for products ranging from baby carriages to electronic hospital gear. "I don't think I ever could have achieved this in the United States."

Numbers Growing

Poland might appear an unlikely country for capitalist success stories. However, Mr. Jarmoc, who shuttles between Kenosha and Warsaw, is only one among a quickly growing breed of Horatio Alger characters who have found opportunity in Poland's economic wasteland.

More than 350 Westerners have won government permission to open small or medium-sized private businesses in Poland. They are doing everything from building schools and sewage plants to making plastic products and perfumes. Some 35% come from West Germany, 15% from the U.S. and 15% from Britain; the rest come from various other countries.

These entrepreneurs are taking advantage of a previously obscure 1976 law that made Poland the only Soviet-bloc country permitting foreigners to fully own companies inside its borders. The takers were a wary few at first, but last year, while Polish national income was declining nearly 15%, the number of registered foreign companies tripled, their sales quintupled to 16 billion zlotys (more than \$185 million at the official rate) and their exports to the West multiplied tenfold to \$25 million.

And some believe that this growth is just starting. "Things are only simmering now. They could start boiling very soon," remarks Marek Piotrowski, the executive director of Inter-Polcom, which acts as a chamber of commerce for these companies. "One can say that many big holes in the marketplaces of one year ago have been filled up, and credit should be given to the Polonia companies."

Luring Back Capital

The members of this free-enterprise wedge into Communist Poland are popularly known as "Polonia" enterprises. Polonia is the Polish word for some 15 million expatriate Poles, and the 1976 law was chiefly designed to persuade them to invest capital back in their motherland. These expatriates own some 70% of the companies, although the law beckons to non-Poles as well.

Polonia companies have helped frustrated consumers and a fearful government, but their surprising success also has made them a highly visible target for ideological attack. "The argument is basically whether Polonia companies should be regarded as the spearhead of the desired economic reform or the Trojan horse of capitalism," remarks a Polish architect who quit his government job because of lack of work and low wages to take a better position with a Polonia company.

Detractors charge that the government, in seeking a quick solution to economic problems, is caving in to capitalist heresy. They complain that the companies are stealing the best workers from state industries by offering high wages and expense-account life styles. They gripe that Polonia products are priced too high. And they spread rumors that excessive profits are being concealed from authorities and turned into dollars on Poland's burgeoning black markets.

Polonia's advocates—so far, including Gen. Wojciech Jaruzelski's government—praise the companies' efficiency, flexibility, motivation and product quality—all things they hope Polish companies may in time learn. However, some officials worry that until state industries do pick up Polonia's business savvy, Polonia companies will out-compete them—not only taking away some of their markets and suppliers but also showing 36 million Poles the value of the capitalist approach.

"In an incredible pitiless way," an article in the Polish consumers magazine "Veto" observes, "they show the whole inefficiency of our socialized producers—the

In Troubled Poland, Expatriates Find Capitalism Can Pay Off Despite Ideological Attacks, Red Tape

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overadministration, lack of market sensitivity and terrible economic legislation."

The reasons for Polonia's success are clear. Poland's skilled but low-wage work force provides a good base for producing highly competitive export products. At the same time, Polonia companies have won domestic markets by producing scarce or unavailable products.

"Poland's economic crisis was one of underproduction," remarks Stefan Lewandowsky, a Swedish businessman whose furniture company Haste (pronounced HASS-te), can't keep up with demand for its tables and chairs. "Almost whatever you can make, you can sell."

The government is also offering companies plenty of incentives, especially if they want to make badly needed items such as medical or agricultural equipment. A revision of the 1976 law last year doubled the life of operating permits to 20 years, with the possibility of further extension later. The law also exempts new companies from tax for their first three years and puts a 50% ceiling on their corporate tax rate after that.

A Few Catches

There are a few catches, though. Only 50% of export earnings can be repatriated to the West; the rest must be turned into unwanted Polish zlotys and kept in Poland. Zloty earnings from domestic Polish businesses can't be turned into hard currency and also must be kept within the country. And in organizing any export or domestic deliveries, Polonia executives must negotiate a frustrating bureaucratic maze and constantly struggle to arrange deliveries of domestic raw materials, which are generally earmarked years in advance for state companies.

Nevertheless, Polonia entrepreneurs consider the potential rewards worth the trouble and risks. Applications swamp government offices.

Edward Preisler, a 28-year-old native of Rockland County, N.Y., recently formed two new companies with his father, Harry. A construction company called Preisler Inter-Bildex already has orders to build schools in Warsaw and homes in France. The second company, Preisler Records, is a plastic company making soft drink bottles for West Germany and packaging for Poland.

The Preislers' investment was just \$35,000, but Edward Preisler predicts first-year export sales of \$300,000 to \$500,000 and Polish sales equivalent to \$3.5 million. "You need just a little investment for tremendous potential," says the young entrepreneur, who initially came to Poland as a glassware buyer.

Finding a work force for the construction

company is easy. A single advertisement in a Warsaw newspaper for a handyman, for example, drew nearly 1,000 applications.

Kenosha's Mr. Jarmoc also is easily rounding up the skilled workers he needs for his more advanced line of products. Moreover, he is putting to work Polish patents, such as one for a Braille typewriter, that had been gathering dust. His profits have been impressive, exceeding 20% of sales. He started his company in 1979 but already expects zloty sales equivalent to \$9 million this year, three times the total for the first two years. Largely because of this success, he has been able to buy Susenmihl G.m.b.H., a West German company specializing in concrete mixers and woodcutting machinery.

USP International, a construction company owned by Mitchell Hryckowia of Long Island, N.Y., will probably triple its export earnings this year to \$250,000. It currently has a team in Libya building a sewage-treatment plant. Its business in Poland, a country desperately in need of new buildings and homes, is flourishing. "If I accepted all the orders I've been offered," remarks Piotr Kobylinski, the company's Polish manager, "I'd be fully booked for the next 20 years."

Bureaucratic Problems

The successes don't come without bureaucratic and other problems, however. The authorities told a potential producer of ketchup, for example, that he couldn't sell his ketchup abroad because of an export ban on agricultural products. But without foreign sales, he couldn't earn the hard currency needed to buy ketchup seasonings. His plan failed.

Most Polonia managers believe that the surest way to survive is to provide what the socialist world lacks—and that the surest way to fail is to be found acting in a manner flagrantly inimical to the system.

Some government officials, for instance, complain that Polonia's critics are gaining ammunition from companies more interested in quick profits than in making products that Poland needs. They also believe that some companies have engaged in black-market currency dealings, and rumors are circulating that some might lose their licenses.

"The biggest danger to Polonia are the companies themselves," remarks Ingemar Svensson, another Swedish businessman, whose company, Scanproduct, makes everything from prefabricated holiday homes for Western Europe to generators for Africa.

A Calendar Issue

Ironically, Mr. Svensson himself caused one of the biggest controversies. A printing house that he owns published a girlie calendar. Some Polish newspapers complained that with Poles lacking so many things, this

frivolous product was socially undesirable and typical of the capitalist thirst for profit. Despite a price 10 times that of most calendars, though, Mr. Svensson sold his entire stock.

"Our calendars were approved by censors and distributed by a government press agency," he says. "They helped finance our printing other things, including children's books."

The calendar episode shows how uneasily Polonia's pocket of capitalism rests inside Poland. In fact, the director of the most successful Polonia company refuses to talk about his business. Ignacy Z. Soszynski, a Pole who immigrated to Morocco, started a firm called Interfrances, which makes shampoos, bath lotions and flavorings for various drinks and foods. He outstripped other Polonia companies with 1982 sales of more than \$40 million in Poland and exports exceeding \$4 million.

His secretary says, "I have been authorized by the director to tell you that because of the international situation, we have been advised by authorities not to give any interviews to the foreign press."

Explains a fellow Polonian company owner: "He, like the rest of us, is afraid he's getting too big."